Annual Financial Statements

for

Ulundi Local Municipality

for the year ended 30 June 2016

Province:	KwaZulu Natal
AFS rounding:	***R (i.e. only cents)***

Contact Information:

Name of Municipal Manager:	Mr NG Zulu
Contact telephone number:	0358745810
Contact e-mail address:	nzulu@ulundi.gov.za
Name of Chief Financial Officer:	Mr J H Mhlongo
Contact telephone number:	035 874 5102
Contact e-mail address:	jmhlongo@ulundi.gov.za
Name of contact at provincial treasury:	Mr M Ndumo
Contact telephone number:	033 897 4525
Contact e-mail address:	MTHOKOZISI.NDUMO@KZNTREASURY.GO.ZA
Name of relevant Auditor:	Mr J Soobramoney
Contact telephone number:	0332647447
Contact e-mail address:	JonathanS@agsa.co.za
Name of contact at National Treasury:	Johan Botha
Contact telephone number:	012 315 5347
Contact e-mail address:	johan.botha@treasury.gov.za

Compiled by:

Reviewed by:

Recommended by:

Approved by:

Accounting Officer's Responsibilities and Approval

The Accounting Officer is required by the Municipal Finance Management Act (Act 56 of 2003), to maintain adequate accounting records and is responsible for the content and integrity of the Annual Financial Statements and related financial information included in this report. It is the responsibility of the Accounting Officer to ensure that the Annual Financial Statements fairly present the state of affairs of the Municipality as at 30 JUNE 2016 and the results of its operations and cash flows for the year then ended. The external auditors are engaged to express an independent opinion on the annual financial statements and were given unrestricted access to all financial records and related data.

The Annual Financial Statements have been prepared in accordance with Standards of Generally Recognised Accounting Practice (GRAP) including any interpretations, guidelines and directives issued by the Accounting Standards Board.

The Annual Financial Statements are based upon appropriate accounting policies constistently applied and supported by reasonable and prudent judgements and estimates.

The Accounting Officer acknowledges that he is ultimately responsible for the system of internal financial control established by the Municipality and places considerable importance on maintaining a strong control environment. To enable the Accounting Officer to meet these responsibilities, the Accounting Officer sets standards for internal control aimed at reducing the risk of error or deficit in a cost effective manner. The standards include the proper delegation of responsibilities within a clearly defined framework, effective accounting procedures and adequate segregation of duties to ensure an acceptable level of risk. These controls are monitored throughout the Municipality and all employees are required to maintain the highest ethical standards in ensuring the Municipality's business is conducted in a manner that in all reasonable circumstances is above reproach. The focus of risk management in the Municipality is on identifying, assessing, managing and monitoring all known forms of risk accross the Municipality. While operating risk cannot be fully eliminated, the Municipality endeavours to minimise it by ensuring that appropriate infrastructure, controls, systems and ethical behaviour are applied and managed within predetermined procedures and constraints.

The Accounting Officer is of the opinion, based on the information and explanations given by Management, that the system of internal control provides reasonable assurance that the financial records may be relied on for the preparation of the Annual Financial Statements. However, any system of internal financial control can provide only reasonable, and not absolute, assurance against material misstatement or deficit.

The Accounting Officer has reviewed the Municipality's cash flow forecast for the period to 30 June 2016 and, in the light of this review and the current financial position, he is satisfied that the Municipality has or has access to adequate resources to continue in operational existence for the foreseeable future.

I certify that the salaries, allowances and benefits of Councillors,and payments made to Councillors for loss of office, if any, as disclosed in note 23 to note 24 of these annual financial statements are within the upper limits of the framework envisaged in Section 219 of the Constitution, read with the Remuneration of Public Officer Bearers Act and the Minister of Provincial and Local Government's determination in accordance with this Act.

The Annual Financial Statements set out on pages 5 to 39, which have been prepared on the assumption that the municipality will continue to operate as a going concern for the next 12 months, were approved and signed by the Accounting Officer on 30 August 2016.

Accounting Officer: Mr N G Zulu

DATE :30 August 2016

Annual Financial Statements

for

Ulundi Local Municipality

for the year ended 30 June 2016

Province:	KwaZulu Natal
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Name of relevant Auditor:	Mr J Soobramoney
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Contact e-mail address:	JonathanS@agsa.co.za
Name of contact at National Treasury:	Johan Botha
Contact telephone number:	012 315 5347
Contact e-mail address:	johan.botha@treasury.gov.za

Compiled by: _____

Reviewed by: _____

Recommended by: _____

Approved by: _____

General information

Legal form of entity	Local Municipality
Municipal demarcation code	KZN266

Nature of business and principal activities:

The main business operations of the Municipality is to engage in local governance activities, which includes planning and promotion of integrated development planning, land, economic and environmental development and supplying of the following services to the community rates and general service - All types of services rendered by the Municipality, excluding the following: Housing Services - Supply housing to the community and includes the rental of units owned by the Municipality to public and staff; Waste Management Services - The collection, disposal and purifying of waste, and sewerage; - Electricity is bought in bulk from Eskom and distributed to consumers by the Municipality.

Members of the Council

Councillor N J Manana (F)	**Her Worship the Mayor**
Councillor W M Ntshangase (M)	**Honourable Deputy Mayor**
Councillor H J Mlambo (M)	**Honourable Speaker**
Councillor J T Gasa (M)	Member of the Executive Committee
Councillor R V Sibiya (M)	Member of the Executive Committee
Councillor L N Z Buthelezi (F)	Member of the Executive Committee
Councillor S R Shwala (M)	Member of the Executive Committee
Councillor G N Mtshali (F)	Member of the Executive Committee
Councillor K P Ngema (M)	Member of the Executive Committee
Councillor M S Gcaba (M)	Member of the Executive Committee

Ordinary Council Members

Councillor B S Khanyile (M)	Councillor R B Nyawo (M)
Councillor F L Buthelezi (M)	Councillor S M Buthelezi (M)
Councillor H M Kubheka (M)	Councillor S N Buthelezi (M)
Councillor J E Xulu (M)	Councillor S P Ximba (F)
Councillor J M Khanyile (M)	Councillor S V Mdluli (M)
Councillor J S Mhlongo (M)	Councillor S V Ngcobo (M)
Councillor K J Sibiya (M)	Councillor S Z Mkhize (M)
Councillor NA Sithole (F)	Councillor T J Manqele (M)
Councillor M Mdlalose (M)	Councillor T K Mkhize (M)
Councillor M E Buthelezi (M)	Councillor T L Khumalo (F)
Councillor T G Madela (F)	Councillor V E Zungu (M)
Councillor M J Dlamuka (M)	Councillor W T Ndebele (M)
Councillor M S Buthelezi (M)	Councillor Z Siyaya (F)
Councillor M T Gasa (M)	Councillor Z L Buthelezi (M)
Councillor S Khumalo (F)	Councillor M W Sithole (M)
Councillor N D Masondo (M)	Councillor N Z Ncala (M)
Councillor Prince N M Buthelezi (M)	Councillor P M Mthethwa (M)
Councillor T B Sibiya (F)	Councillor S F Cindi (M)
	Councillor L Yaka (M)

Municipal Manager	Mr NG Zulu
Chief Financial Officer	J H Mhlongo
Grading of Local Authority	Grade 3
Grade	Low Capacity
Auditors	Auditor - General South Africa
Attorneys	Cox & Partners and Bothas Incorporated
Bankers	First National Bank

General information (continued)

Registered Office:	Cnr Princess Magogo & King Zwelithini Streets, Ulundi
Physical address:	***Cnr Princess Magogo & King Zwelithini Streets*** Ulundi 3838
Postal address:	***Private Bag X17*** **Ulundi** 3838
Telephone number:	+27 35 874 5100 +27 35 874 5800
Fax number:	+27 35 870 3506
E-mail address:	nzulu@ulundi.gov.za

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Accounting Officer: Mr N G Zulu

DATE :30 August 2016

Ulundi Local Municipality
ANNUAL FINANCIAL STATEMENTS
for the year ended 30 June 2016

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Ulundi Local Municipality
ANNUAL FINANCIAL STATEMENTS
STATEMENT OF FINANCIAL POSITION FOR THE YEAR ENDED 30 JUNE 2016

	Note	2016 R	2015 R
ASSETS			
Current assets		**46,155,376**	**34,768,315**
Cash and cash equivalents	2	2,377,665	4,246,240
Trade and other receivables from exchange transactions	3	7,961,217	6,264,262
Other receivables from non-exchange transactions	4	22,863,016	12,163,135
Inventories	5	2,838,480	1,208,136
VAT receivable	6	10,114,998	10,886,542
Non-current assets		**469,619,859**	**464,857,146**
Property, plant and equipment	7	406,362,859	401,600,146
Investment property	8	63,257,000	63,257,000
Intangible assets	9	-	-
Total assets		**515,775,235**	**499,625,461**
LIABILITIES			
Current liabilities		**120,863,727**	**78,648,219**
Trade and other payables from exchange transactions	10	111,079,592	70,959,497
Consumer deposits		2,249,128	2,239,281
Current provisions	11	631,476	605,236
Current portion of unspent conditional grants and receipts	12	1,121,205	1,285,883
Current portion of long service awards	13	840,394	170,446
Current portion of finance lease liability	15	4,941,932	3,387,876
Non-current liabilities		**9,127,857**	**13,460,430**
Non-current portion of long service awards	13	4,497,179	3,887,819
Long term portion of finance lease liability	15	4,630,678	9,572,611
Total liabilities		**129,991,584**	**92,108,649**
NET ASSETS		**385,783,640**	**407,516,820**
Reserves	16.2	10,690	10,690
Accumulated surplus	16.1	385,772,950	407,506,130
Total net assets		**385,783,640**	**382,298,456**

Ulundi Local Municipality

ANNUAL FINANCIAL STATEMENTS

STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2016

	Note	2016 R	2015 R
Revenue			
Revenue from exchange transactions:			
Property rates	17	49,076,266	50,615,313
Property rates - penalties imposed and collection charges	17	9,004,473	5,244,357
Service charges	18	65,677,811	55,738,020
Rental of facilities and equipment	19	971,013	798,189
Interest earned - external	20	3,956,490	824,987
Revenue from non exchange transactions:			
Fines	35.2	15,439,017	7,001,488
Licences and permits		2,711,606	2,486,458
Government grants and subsidies	21	176,138,302	156,261,400
Other income	22	10,136,677	2,175,651
Total revenue		**333,111,655**	**281,145,863**
Expenses			
Employee related costs	23	104,053,971	81,543,137
Remuneration of councillors	24	12,916,159	13,487,389
Provision for Impairment of Trade Debtors	3	15,736,105	22,900,830
Depreciation	25	40,173,491	52,340,477
Impairment loss	7	-	307,400
Repairs and maintenance	14	9,595,462	7,926,474
Finance costs	26	6,194,401	1,880,137
Bulk purchases	27	62,251,722	54,514,242
Contracted services	28	57,822,137	42,464,930
General expenses	29	46,101,387	30,720,893
Total expenses		**354,844,835**	**308,085,909**
Gain / (loss) on sale of assets	30	-	(96,870)
Profit / (loss) on fair value adjustment			
Surplus / (deficit) for the period		**(21,733,180)**	**(27,036,916)**

Ulundi Local Municipality

STATEMENT OF CHANGES IN NET ASSETS FOR THE YEAR ENDED 30 JUNE 2016

	Revaluation Reserve	Other reserves	Total: Reserves	Accumulated Surplus/(Deficit)	Total: Net Assets
	R	R	R	R	R
Balance at 30 June 2015	10,690			382,287,766	382,298,456
Prior year adjustment-provision for long service leave				(571,265)	(571,265)
Prior year adjustment Electricity Wheeling Charges				25,789,629	25,789,629
					-
Restated balance at 30 June 2015	**10,690**	-	-	**407,506,130**	**407,516,820**
Surplus / (deficit) for the year				(21,733,180)	(21,733,180)
Balance at 30 June 2016	10,690			385,772,950	385,783,640

Ulundi Local Municipality

ANNUAL FINANCIAL STATEMENTS
CASH FLOW STATEMENT FOR THE YEAR ENDED 30 JUNE 2016

	Note	2016 R	2015 R
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash Receipts from Customers and Government		304,588,839	277,663,636
Cash paid to suppliers and employees		(253,110,222)	(237,715,346)
	31	51,478,617	39,948,290
Interest received		1,161,430	824,987
Interest paid		(6,194,401)	(1,880,137)
Net cash flows from operating activities		**46,445,646**	**38,893,140**
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of fixed assets (PPE)		(44,936,195)	(57,410,858)
Proceeds from sale of fixed assets			243,130
Net cash flows from investing activities		**(44,936,195)**	**(57,167,728)**
CASH FLOWS FROM FINANCING ACTIVITIES			
Increase/(decrease) in consumer deposits		9,847	261,821
Increase(decrease) in Finance lease liability		(3,387,877)	12,942,353
		-	-
Net cash flows from financing activities		**(3,378,030)**	**13,204,174**
Net increase / (decrease) in net cash and cash equivalents		(1,868,575)	(5,070,414)
Net cash and cash equivalents at beginning of period		4,246,240	9,316,654
Net cash and cash equivalents at end of period	32	**2,377,665**	**4,246,240**

ULUNDI LOCAL MUNICIPALITY

STATEMENT OF COMPARISON OF ACTUAL VERSUS BUDGET (REVENUE AND EXPENDITURE) FOR THE YEAR ENDED 30 JUNE 2016

	Approved Budget R	Adjustments R	Final Budget R	Actual R	Actual vs Final budget Variance R	Actual vs Final budget Variance % %	Explanation of significant variances greater than 10 % versus budget
Revenue							
Property rates	55,196,514		55,196,514	49,076,266	6,120,248	11.09	This is due to the implementation of the ammendment MPRA.
Property rates - penalties imposed and collection charges	1,500,000		1,500,000	9,004,473	(7,504,473)	-500.30	Increase of debtors which has resulted to increase of penalties
Service charges	79,384,956	4,102,010	83,486,966	65,677,811	17,809,155	21.33	Eskom payment which was received after adjustment budget
Rental of facilities and equipment	675,162		675,162	971,013	(295,851)	-43.82	Incfrease community events
Interest earned - external investments	550,000	570,000	1,120,000	3,956,490	(2,836,490)	-253.26	Interest earned from investment accounts
Fines	2,520,000	2,000,000	4,520,000	15,439,017	(10,919,017)	-241.57	Law enforcment of recovering of fines
Licences and permits	2,880,000		2,880,000	2,711,606	168,394	5.85	
Government grants and subsidies	140,030,000		140,030,000	176,138,302	(36,108,302)	-25.79	Additional MIG funding received
Other income	3,712,723		3,712,723	10,136,677	(6,423,954)	-173.03	
Proceeds on sale on assets			-		-		
Provision for bad debts adjustment			-		-		
Total Revenue	**286,449,355**	**6,672,010**	293,121,365	**333,111,655**	**(39,990,290)**		
Expenses							
Employee related costs	80,074,832	36,901,057	116,975,889	104,053,971	12,921,918	11.05	Vacant posts filled towards end of financial year
Remuneration of councillors	13,238,691	250,000	13,488,691	12,916,159	572,532	4.24	
Bad debts			-	-	-		
Provision for Impairment of Trade Debtors	6,903,000	15,298,340	22,201,340	15,736,105	6,465,235	29.12	Implementation of credit control Interest charged to outstanding debtorsIncrease in accounts receivable
Depreciation and amortisation expense	70,000,000		70,000,000	40,173,491	29,826,509	42.61	capital projects that were not completed during the financial year
Impairment loss	1,274,400		1,274,400	-	1,274,400	100.00	verification was done by an expert but no impairment was recommended
Repairs and maintenance	14,121,517		14,121,517	9,595,462	4,526,055	32.05	savings due to utilisation of internal skills
Finance costs	150,000	6,044,401	6,194,401	6,194,401	-	-	
Bulk purchases	99,715,160		99,715,160	62,251,722	37,463,438	37.57	Ongoing engagement with Eskom which has not been finalised as yet
Contracted services	56,486,069	1,336,068	57,822,137	57,822,137	(0)	-0.00	
General expenses	49,646,500		49,646,500	46,101,387	3,545,113	7.14	
Total Expenses	**391,610,169**	**59,829,866**	**451,440,035**	**354,844,835**	**96,595,200**	21.40	
Gain / (loss) on sale of assets				-	-		
Change in Accounting Estimate					-		
Profit / (loss) on fair value adjustment				-			
Surplus / (deficit) for the period	**-105,160,814**	**-53,157,856**	**-158,318,670**	**-21,733,180**	**(136,585,490)**	**628.47**	

Note:This statement of comparason of budget and actual amounts is on the same accounting basis with the rest of the financial statements which is on the accrual basis as well the budget on a the same basis.

STATEMENT OF ACTUAL VERSUS BUDGET (ACQUISITION OF PROPERTY.PLANT AND EQUIPMENT) FOR THE YEAR ENDED 30 JUNE 2016

	Additions R	Under Construction R	Total Additions R	Budgeted Additions R	Variance
Infrastructure					
Roads	6,130,002	10,652,540	16,782,542	17,500,000	-717,458
Buildings		2,199,375	2,199,375	2,293,014	-93,639
	6,130,002	**12,851,916**	**18,981,918**	**19,793,014**	**-811,096**
Community Assets					
Recreational facilitites	5,809,963	14,325,834	20,135,797	15,433,497	4,702,300
	5,809,963	**14,325,834**	**20,135,797**	**15,433,497**	**4,702,300**
			-		-
Other Assets					-
Furniture and fittings				-	-
Computer Equipment					-
Machinery and equipment	5,818,478		5,818,478	5,818,478	-
Vehicles					-
	5,818,478	-	**5,818,478**	**5,818,478**	-
					-
Total	**17,758,443**	**27,177,749**	**44,936,193**	**41,044,989**	**3,891,204**

ULUNDI LOCAL MUNICIPALITY

APPROPRIATION STATEMENT FOR THE YEAR ENDED 30 JUNE 2016

	Approved Budget	Budget Adjustments (i.to. S28 and s31 of the MFMA)	Final Adjustment Budget	Shifting of funds (i. to. S31 of the MFMA)	Final Budget	Audit outcome	Unauthorised expenditure	Variance	Audit outcome as % of Final Budget	Audit outcome as % of Original Budget	Reported unauthorised expenditure	Expenditure authorised in terms of s32 of MFMA	Balance to be recovered	Restated Audit Outcome
						2016	2,015							
	R	R	R			R	R							
Revenue														
Property rates	55,196,514	0	55,196,514		55,196,514	49,076,266		6,120,248	89	89				
Property rates - penalties imposed and collection charges	1,500,000		1,500,000		1,500,000	9,004,473		-7,504,473	600	600				
Service charges	83,486,966		83,486,966		83,486,966	65,677,811		17,809,155	79	79				
Rental of facilities and equipment	675,162		675,162		675,162	971,013		-295,851	144	144				
Interest earned - external investments	550,000	570,000	1,120,000		1,120,000	3,956,490		-2,836,490	353	353				
Fines	4,520,000		4,520,000		4,520,000	15,439,017		-10,919,017	342	342				
Licences and permits	2,880,000		2,880,000		2,880,000	2,711,606		168,394	94	94				
Government grants and subsidies	140,030,000		140,030,000		140,030,000	176,138,302		-36,108,302	126	126				
Other income	3,712,723		3,712,723		3,712,723	10,136,677		-6,423,954	273	273				
Proceeds on sale on assets	0		0		0					0				
Provision for bad debts adjustment	0	0			0					0				
Total Revenue	**292,551,365**	**570,000**	**293,121,365**		**293,121,365**	**333,111,655**		**-39,990,290**						
Expenses														
Employee related costs	80,074,832	36,901,057	116,975,889		116,975,889	104,053,971		12,921,918	89	89	2,327,166	2,327,166		
Remuneration of councillors	13,238,691	250,000	13,488,691		13,488,691	12,916,159		572,532	96	96				
Bad debts			0		0	0		0		0				
Provision for Impairment of Trade Debtors	6,903,000	15,298,340	22,201,340		22,201,340	15,736,105		6,465,235		0				
Depreciation and amortisation expense	70,000,000		70,000,000		70,000,000	40,173,491		29,826,509	57	57				
Impairment loss	1,274,400		1,274,400		1,274,400	0		1,274,400	0	0				
Repairs and maintenance	14,121,517		14,121,517		14,121,517	9,595,462		4,526,055	68	68				
Finance costs	150,000	6,044,401	6,194,401		6,194,401	6,194,401		0	100	100				
Bulk purchases	99,715,160		99,715,160		99,715,160	62,251,722		37,463,438	62	62				
Contracted services	56,486,069	1,336,068	57,822,137		57,822,137	57,822,137		0	100	100				
General expenses	49,646,500		49,646,500		49,646,500	46,101,387		3,545,113	93	93				
Total Expenses	**391,610,169**	**59,829,866**	**451,440,035**		**451,440,035**	**354,844,835**		**96,595,200**	79	79				
								0						
Gain / (loss) on sale of assets								54,226,511						
Transfers recognised capital	50,226,511	4,000,000	54,226,511		54,226,511		0							
Profit / (loss) on fair value adjustment														
Surplus / (deficit) for the period	**(99,058,804)**	**(55,259,866)**	**(104,092,159)**		**(104,092,159)**	**(21,733,180)**	-	**(82,358,979)**	**21**	**21**				
Capital expenditure and fund sources														
Capital expenditure														
Transfers recognised capital	38,994,000		38,994,000		38,994,000	43,505,269		-4,511,269	112	112				
Public donations & contributions			0					0		0				
Borrowing			0					0		0				
Internally generated funds			0					0		0				
Total sources of capital funds	38,994,000	0	38,994,000		38,994,000	43,505,269		-4,511,269		0				
								0						
Cashflows														
Net cash flows from (used)operating activities						46,445,646								
Net cash flows from (used) investing activities						-44,936,195								
Net cash flows from (used) financing activities						-3,378,030								
Cash and cash equivalents at year end						2,377,665								

1 BASIS OF ACCOUNTING

1.1 BASIS OF PRESENTATION

The annual financial statements have been prepared on an accrual basis of accounting and are in accordance with historical cost convention unless specified otherwise.

These annual financial statements have been prepared in accordance with Generally Recognised Accounting Practice (GRAP), issued by the Accounting Standards Board in accordance with Section 122(3) of the Municipal Finance Management Act, (Act No 56 of 2003).

The principal accounting policies adopted in the preparation of these annual financial statements are set out below.

GRAP 1	Presentation of Financial Statements
GRAP 2	Cash Flow Statements
GRAP 3	Accounting Policies, Changes in Accounting Estimates and Errors
GRAP 9	Revenue From Exchange Transactions
GRAP 11	Construction Contracts
GRAP 12	Inventories
GRAP 13	Leases
GRAP 14	Events After Reporting Date
GRAP 16	Investment Property
GRAP 17	Property, Plant and Equipment
GRAP 19	Provisions, Contingent Liability and Contigent Assets
GRAP 21	Impairment of Non Cash Generating Assets
GRAP 23	Revenue From Non Exchange Transactions (Taxes and Trasfers)
GRAP 24	Presentation of Budget Information in the Financial Statements
GRAP 25	Employee Benefits
GRAP 26	Impairment of Non Generating Assets
GRAP 102	Intangible Assets
GRAP 104	Financial Instruments
I GRAP 1	Revenue Recognition (Traffic fines)

Assets, liabilities, revenues and expenses have not been offset except when offsetting is required or permitted by a Standard of GRAP.

The accounting policies applied are consistent with those used to present the previous year's financial statements, unless explicitly stated. The details of any changes in accounting policies are explained in the relevant policy.

1.2 PRESENTATION CURRENTY

These annual financial statements are presented in South African Rand, which is the functional currency of the municipality and added and recorded to the nearest rand.

1.3 GOING CONCERN ASSUMPTION

These annual financial statements have been prepared on the assumption that the municipality will continue to operate as a going concern for at least the next 12 months.

1.4 COMPARATIVE INFORMATION

Budget information in accordance with GRAP 1 and 24, has been provided in a statement of comparison of actual and budget to these financial statements and forms part of the audited annual financial statements.

When the presentation or classification of items in the annual financial statements is amended, prior period comparative amounts are restated. The nature and reason for the reclassification is disclosed. Where accounting errors have been identified in the current year, the correction is made retrospectively as far as is practicable, and the prior year comparatives are restated accordingly. Where there has been a change in accounting policy in the current year, the adjustment is made retrospectively as far as is practicable, and the prior year comparatives are restated accordingly.

1.5 STANDARDS, AMENDMENTS TO STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE

The following GRAP standards have been issued but are not yet effective and have not been early adopted by the municipality:

GRAP 18 Segment Reporting

2 PROPERTY, PLANT AND EQUIPMENT

2.1 INITIAL RECOGNITION

Property, plant and equipment are tangible non-current assets (including infrastructure assets) that are held for use in the production or supply of goods or services, rental to others, or for administrative purposes, and are expected to be used during more than one year. Items of property, plant and equipment are initially recognised as assets on acquisition date and are initially recorded at cost. The cost of an item of property, plant and equipment is the purchase price and other costs attributable to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by the municipality. Trade discounts and rebates are deducted in arriving at the cost. The cost also includes the necessary costs of dismantling and removing the asset and restoring the site on which it is located.

When significant components of an item of property, plan and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Where an asset is acquired by the municipality for no or nominal consideration (i.e. a non-exchange transaction), the cost is deemed to be equal to the fair value of that asset on the date acquired.

Where an item of property, plant and equipment is acquired in exchange for a non-monetary asset or monetary assets, or a combination of monetary and non-monetary assets, the asset acquired is initially measured at fair value (the cost). If the acquired item's fair value was not determinable, it's deemed cost is the carrying amount of the asset(s) given up.

Major spare parts and servicing equipment qualify as property, plant and equipment when the municipality expects to use them during more than one period. Similarly, if the major spare parts and servicing equipment can be used only in connection with an item of property, plant and equipment, they are accounted for as property, plant and equipment.

2.2 SUBSEQUENT MEASUREMENT - REVALUATION MODEL (LAND AND BUILDINGS)

Subsequent to initial recognition, land and buildings are carried at a revalued amount, being its fair value at the date of revalutaion less any subsequent accumulated depreciation and impairment losses.

An increase in the carrying amount of an asset as a result of a revalutation is credited directly to a revaluation surplus reserve, except to the extent that it reverses a revaluation decrease of the same asset previously recognised in surplus or deficit.

A decrease in the carrying amount of an asset as a result of a revaluation is recognised in surplus or deficit, except to the extent of any credit balance existing in the revaluation surplus in respect of that asset.

Derecognition

The carrying amount of items of property, plant and equipment is derecognised on disposal, or when no future economic benefits or service potential are expected from its use or disposal. The gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying value and is recognised in the Statement of Financian Performance.

2.3 DEPRECIATION AND IMPAIRMENT

Depreciation is calculated on the depreciable amount, using the straight-line method over the estimated useful lives of the assets.Components of assets that are significant in relation to the whole asset and that have different useful lives are depreciated separately. The annual depreciation rates are based on the following estimated average asset lives:

Infrastructure		**Other**	
Roads and Paving	10-20	Buildings	30
Pedestrian Malls	30	Air Conditioners	7
Electricity	25	Vehicles and tractors	7
Sewerage	20	Office equipment	5
		Furniture and fittings	10
		computer software	3
Community		Machinery and Equipment	7
Buildings	30	Tools	5
Recreational facilities	10	Radio	5
		Computer equipment	3

The residual value, the useful life of an asset and the depreciation method is reviewed annually and any changes are recognised as a change in accounting estimate in the Statement of Financial Performance.

2.4 The municipality tests for impairment where there is an indication that an asset may be impaired. An assessment of whether there is an indication of possible impairment is done at each reporting date. Where the carrying amount of an item of property, plant and equipment is greater than the estimated recoverable amount (or recoverable service amount), it is written down immediately to its recoverable amount (or recoverable service amount) and an impairment loss is charged to the Statement of Financial Performance.

Items of Property, plant and equipment are derecognised when the asset is disposed of or when there are no further economic benefits or service potential expected from the use of the asset. The gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying value and is recognised in the Statement of Financial Performance.

3 INTANGIBLE ASSETS

3.1 INITIAL RECOGNITION

An intangible asset is an identifiable non-monetary asset without physical substance. Examples include computer software, licences, and development costs. The municipality recognises an intangible asset in its Statement of Financial Position only when it is probable that the expected future economic benefits or service potential that are attributable to the asset will flow to the municipality and the cost or fair value of the asset can be measured reliably.

Internally generated intangible assets are subject to strict recognition criteria before they are capitlised. Research expenditure is never capitalised, while development expenditure is only capitalised to the extent that:

- the municipality intends to complete the intangible asset for use or sale;
- it is technically feasible to complete the intangible asset;
- the municipality has the resources to complete the project; and
- it is probable that the municipality will receive future economic benefits or service potential.

Intangible assets are initially recognised at cost.

Where an intangible asset is acquired by the municipality for no or nominal consideration (i.e. a non-exchange transaction), the cost is deemed to be equal to the fair value of that asset on the date acquired.

Where an intangible asset is acquired in exchange for a non-monetary asset or monetary assets, or a combination of monetary and non-monetary assets, the asset acquired is initially measured at fair value (the cost). If the acquired item's fair value was not determinable, it's deemed cost is the carrying amount of the asset(s) given up.

3.2 SUBEQUENT MEASUREMENT - COST MODEL

Intangible assets are subsequently carried at cost less accumulated amoritisation and impairments. The cost of an intangible asset is amortised over the useful life where that useful life is finite. Where the useful life is indefinite, the asset is not amortised but is subject to an annual impairment test.

3.3 AMORTISATION AND IMPAIRMENT

Amortisation is charged so as to write off the cost or valuation of intangible assets over their estimated useful lives using the straight line method. The annual amortisation rates are based on the following estimated average asset lives:

Computer software

The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at each reporting date and any changes are recognised as a change in acounting estimate in the Statement of Financial Performance.

The municipality tests intangible assets with finite useful lives for impairment where there is an indication that an asset may be impaired. An assessment of whether there is an indication of possible impairment is done at each reporting date. Where the carrying amount of an item of an intangible asset is greater than the estimated recoverable amount (or recoverable service amount), it is written down immediately to its recoverable amount (or recoverable service amount) and an impairment loss is charged to the Statement of Financial Performance.

3.4 DERECOGNITION

Intangible assets are derecognised when the asset is disposed of or when there are no further economic benefits or service potential expected from the use of the asset. The gain or loss arising on the disposal or retirement of an intangible asset is determined as the difference between the sales proceeds and the carrying value and is recognised in the Statement of Financial Performance.

4 INVESTMENT PROPERTY

4.1 INITIAL RECOGNITION

Investment property includes property (land or a building, or part of a building, or both land or buildings held under a finance lease) held to earn rentals and/or for capital appreciation, rather than held to meet service delivery objectives, the production or supply of goods or services, or the sale of an asset in the ordinary course of operations. The values were determined by the Municipal Valuers, and Civil Engineers appointed for the purpose, and the valuation process was completed during the financial year ending 30 June 2013

At initial recognition, the municipality measures investment property at cost including transaction costs once it meets the definition of investment property. However, where an investment property was acquired through a non-exchange transaction (i.e. where it acquired the investment property for no or a nominal value), its cost is its fair value as at the date of acquisition.

4.2 SUBSEQUENT MEASUREMENT - FAIR VALUE MODEL

Investment property is measured using the fair value model. Under the fair value model, investment property is carried at its fair value at the reporting date. Any gain or loss arising from a change in the fair value of the property is included in surplus or deficit for the period in which it arises.

Depreciation is calculated on the depreciable amount, using the straight-line method over the estimated useful lives of the assets. Components of assets that are significant in relation to the whole asset and that have different useful lives are depreciated separately. The annual depreciation rates are based on the following estimated average asset lives:

5 INVENTORIES

5.1 INITIAL RECOGNITION

Inventories comprise current assets held for sale, consumption or distribution during the ordinary course of business. Inventories are initially recognised at cost. Cost generally refers to the purchase price, plus taxes, transport costs and any other costs in bringing the inventories to their current location and condition. Where inventory is manufactured, constructed or produced, the cost includes the cost of labour, materials and overheads used during the manufacturing process.

Where inventory is acquired by the municipality for no or nominal consideration (i.e. a non-exchange transaction), the cost is deemed to be equal to the fair value of the item on the date acquired.

5.2 SUBSEQUENT MEASUREMENT

Inventories, consisting of consumable stores, raw materials, work-in-progress and finished goods, are valued at the lower of cost and net realisable value unless they are to be distributed at no or nominal charge, in which case they are measured at the lower of cost and current replacement cost. Redundant and slow-moving inventories are identified and written down in this way. Differences arising on the valuation of inventory are recognised in the Statement of Financial Performance in the year in which they arose. The amount of any reversal of any write-down of inventories arising from an increase in net realisable value or current replacement cost is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

The carrying amount of inventories is recognised as an expense in the period that the inventory was sold, distributed, written off or consumed, unless that cost qualifies for capitalisation to the cost of another asset.

6 FINANCIAL INSTRUMENTS

The municipality has various types of financial instruments and these can be broadly catergorised as iether finacial assets,finacial liabilities or residual interests in accordance with the sudstance of the contractual agreement.The municipality only recognises a financial instrument when it becomes a party to the contractual provisions of the instrument.

6.1 INITIAL RECOGNITION

Financial assets and financial liabilities are recognised on the entity's Statement of Financial Position when the entity becomes party to the contractual provisions of the instrument.The entity does not offset a financial asset or financial liability unless a legally enforceable right to offset the recognised amounts currently exist;and the entity intends either to settle on a net basis ,or to realise the asset and setile the liability simultaneously. "Fair value menthods and assumption. The fair values of financial instruments are determined as follows:The fair value of qouted investments are based oncurrent bid prices.If the market for a finacial asset is not active (and for unutilised securities),the company establishes fair value by using valuation techniques.These iclude the use of the recent arm's length transactions,refference to other instruments that are substanially the same,discounted cash flow analysis,and option pricing models making maximum use of market inputs and relying as little as possible on entity -specific inputs."

6.2 The effective interest rate

The effective interest rate method of calculating the amortised cost of a finacial asset or finacial liability and of allocating the interest income or interest expense over the releavant period.The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the finacial instrument or ,when appropriate ,a shorter period to the net carrying amount otf the financial asset or financial liability.

6.3 Amortised cost

Amortised cost is the amount at which the finacialasset or finacial liability is measured at initial recognition minus principal repayments,plus or minus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount,and minus any reduction for impairement or uncollectibility

6.4 SUBSEQUENT MEASUREMENT

Financial Assets are categorised according to their nature as either financial assets at fair value through profit or loss, held-to maturity, loans and receivables, or available for sale. Financial liabilities are categorised as either at fair value through profit or loss or financial liabilities carried at amortised cost ("other"). The subsequent measurement of financial assets and liabilities depends on this categorisation and, in the absence of an approved GRAP Standard on Financial Instruments, is in accordance with IAS 39.

6.4.1 INVESTMENTS

Investments, which include listed government bonds, unlisted municipal bonds, fixed deposits and short-term deposits invested in registered commercial banks, are categorised as either held-to-maturity where the criteria for that categorisation are met, or as loans and receivables, and are measured at amortised cost. Where investments have been impaired, the carrying value is adjusted by the impairment loss, which is recognised as an expense in the period that the impairment is identified. Impairments are calculated as being the difference between the carrying amount and the present value of the expected future cash flows flowing from the instrument. On disposal of an investment, the difference between the net disposal proceeds and the carrying amount is charged or credited to the Statement of Financial Performance.

6.4.2 TRADE AND OTHER RECEIVABLES

Trade and other receivables are categorised as financial assets: loans and receivables and are initially recognised at fair value and subsequently carried at amortised cost. Amortised cost refers to the initial carrying amount, plus interest, less repayments and impairments. An estimate is made for doubtful receivables based on a review of all outstanding amounts at year-end. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments (more than 30 days overdue) are considered indicators that the trade receivable is impaired. Impairments are determined by discounting expected future cash flows to their present value. Amounts that are receivable within 12 months from the reporting date are classified as current.

An impairment of trade receivables is accounted for by reducing the carrying amount of trade receivables through the use of an allowance account, and the amount of the loss is recognised in the Statement of Financial Performance within operating expenses. When a trade receivable is uncollectible, it is written off. Subsequent recoveries of amounts previously written off are credited against operating expenses in the Statement of Financial Performance.

6.4.3 TRADE PAYABLES AND BORROWINGS

Financial liabilities consist of trade payables and borrowings. They are categorised as financial liaibilities held at amortised cost, are intitially recognised at fair value and subsequently measured at amortised cost which is the initial carrying amount, less repayments, plus interest.

6.4.4 CASH AND CASH EQUIVALENTS

Cash includes cash on hand (including petty cash) and cash with banks (including call deposits). Cash equivalents are short-term highly liquid investments, readily convertible into known amounts of cash, that are held with registered banking institutions with maturities of three months or less and are subject to an insignificant risk of change in value. For the purposes of the cash flow statement, cash and cash equivalents comprise cash on hand, deposits held on call with banks, net of bank overdrafts. The municipality categorises cash and cash equivalents as financial assets: loans and receivables.

Bank overdrafts are recorded based on the facility utilised. Finance charges on bank overdraft are expensed as incurred. Amounts owing in respect of bank overdrafts are categorised as financial liabilities: other financial liabilties carried at amortised cost.

6.4.5 INITIAL RECOGNITION

Cash includes cash on hand (including petty cash) and cash with banks (including call deposits). Cash equivalents are short-term highly liquid investments, readily convertible into known amounts of cash, that are held with registered banking institutions with maturities of three months or less and are subject to an insignificant risk of change in value. For the purposes of the cash flow statement, cash and cash equivalents comprise cash on hand, deposits held on call with banks, net of bank overdrafts. The municipality categorises cash and cash equivalents as financial assets: loans and receivables.

7 UNAUTHORISED EXPENDITURE

Unauthorised expenditure is expenditure that has not been budgeted, expenditure that is not in terms of the conditions of an allocation received from another sphere of government, municipality or organ of state and expenditure in the form of a grant that is not permitted in terms of the Municipal Finance Management Act (Act No.56 of 2003). Unauthorised expenditure is accounted for as an expense in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

8 IRREGULAR EXPENDITURE

Irregular expenditure is expenditure that is contrary to the Municipal Finance Management Act (Act No.56 of 2003), the Municipal Systems Act (Act No.32 of 2000), the Public Office Bearers Act (Act No. 20 of 1998) or is in contravention of the Municipality's supply chain management policy. Irregular expenditure excludes unauthorised expenditure. Irregular expenditure is accounted for as expenditure in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

9 FRUITLESS AND WASTEFUL EXPENDITURE

Fruitless and wasteful expenditure is expenditure that was made in vain and would have been avoided had reasonable care been exercised. Fruitless and wasteful expenditure is accounted for as expenditure in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

10 PROVISIONS

Provisions are recognised when the municipality has a present or constructive obligation as a result of past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate of the provision can be made. Provisions are reviewed at reporting date and adjusted to reflect the current best estimate. Where the effect is material, non-current provisions are discounted to their present value using a pre-tax discount rate that reflects the market's current assessment of the time value of money, adjusted for risks specific to the liability (for example in the case of obligations for the rehabilitation of land).

The municipality does not recognise a contingent liability or contingent asset. A contingent liability is disclosed unless the possibility of an outflow of resources embodying economic benefits is remote. A contingent asset is disclosed where an inflow of economic benefits is probable.

Future events that may affect the amount required to settle an obligation are reflected in the amount of a provision where there is sufficient objective evidence that they will occur. Gains from the expected disposal of assets are not taken into account in measuring a provision. Provisions are not recognised for future operating losses. The present obligation under an onerous contract is recognised and measured as a provision.

A provision for restructuring costs is recognised only when the following criteria over and above the recognition criteria of a provision have been met: the principal locations affected; the location, function, and approximate number of employees who will be compensated for terminating their services; - the expenditures that will be undertaken; and when the plan will be implemented; and
(a) The municipality has a detailed formal plan for the restructuring identifying at least: - the business or part of a business concerned; - the principal locations affected; - the location, function, and approximate number of employees who will be compensated for terminating their services; - the expenditures that will be undertaken; and - when the plan will be implemented; and

(b) The municipality has raised a valid expectation in those affected that it will carry out the restructuring by starting to implement that plan or announcing its main features to those affected by it.

11 LEASES

Lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership. Lease is classified as an operating lease if it does not transfer substantially all the risks and rewards incidental to ownership.

11.1 Finance leases - lessee

Leases are classified as finance leases where substantially all the risks and rewards associated with ownership of an asset are transferred to the municipality. Property, plant and equipment or intangible assets subject to finance lease agreements are initially recognised at the lower of the asset's fair value and the present value of the minimum lease payments. The corresponding liabilities are initially recognised at the inception of the lease and are measured as the sum of the minimum lease payments due in terms of the lease agreement, discounted for the effect of interest. In discounting the lease payments, the municipality uses the interest rate that exactly discounts the lease payments and unguaranteed residual value to the fair value of the asset plus any direct costs incurred.

Subsequent to initial recognition, the leased assets are accounted for in accordance with the stated accounting policies applicable to property, plant, equipment or intangibles. The lease liability is reduced by the lease payments, which are allocated between the lease finance cost and the capital repayment using the effective interest rate method. Lease finance costs are expensed when incurred. The accounting policies relating to derecognition of financial instruments are applied to lease payables. The lease asset is depreciated over the shorter of the asset's useful life or the lease term.

11.2 Finance leases - lessor

Amounts due from lessees under finance leases are recorded as receivables at the amount of the net investment in the leases. The receivable is calculated as the sum of all the minimum lease payments to be received, plus any unguaranteed residual accruing to the municipality, discounted at the interest rate implicit in the lease. The receivable is reduced by the capital portion of the lease instalments received, with the interest portion being recognised as interest revenue on a time proportionate basis. The accounting policies relating to derecognition and impairment of financial instruments are applied to lease receivables.

11.3 Operating leases - lesses

Operating lease payments are recognised as an expense on a straight-line basis over the lease term. The difference between the amounts recognised as an expense and the contractual payments are recognised as an operating lease asset/ liability. Any contingent rents are expensed in the period they are incurred.

11.4 Operating leases - lessor

Operating lease income is recognised as revenue on a straight-line basis over the lease term. Initial direct costs incurred in negotiating and arranging operating leases are added to the carrying amount of the leased asset and recognised as an expense over the lease term on the same basis as the lease income.

Income for leases is disclosed under revenue in statement of financial performance.

12 REVENUE

12.1 REVENUE FROM EXCHANGE TRANSACTIONS

Revenue from exchange transactions refers to revenue that accrued to the municipality directly in return for services rendered / goods sold, the value of which approximates the consideration received or receivable.

Service charges relating to electricity and water are based on consumption. Meters are read on a quarterly basis and are recognised as revenue when invoiced. Provisional estimates of consumption are made monthly when meter readings have not been performed. The provisional estimates of consumption are recognised as revenue when invoiced. Adjustments to provisional estimates of consumption are made in the invoicing period in which meters have been read. These adjustments are recognised as revenue in the invoicing period.

Revenue from the sale of electricity prepaid meter cards is recognised at the point of sale.

Service charges relating to refuse removal are recognised on a monthly basis in arrears by applying the approved tariff to each property that has improvements. Tariffs are determined per category of property usage, and are levied monthly based on the recorded number of refuse containers per property.

Interest revenue is recognised on a time proportion basis.

Revenue from the rental of facilities and equipment is recognised on a straight-line basis over the term of the lease agreement.

Dividends are recognised on the date that the Municipality becomes entitled to receive the dividend.

Revenue arising from the application of the approved tariff of charges is recognised when the relevant service is rendered by applying the relevant gazetted tariff. This includes the issuing of licences and permits.

Revenue from the sale of goods is recognised when substantially all the risks and rewards in those goods is passed to the consumer.

Revenue arising out of situations where the municipality acts as an agent on behalf of another entity (the principal) is limited to the amount of any fee or commission payable to the municipality as compensation for executing the agreed services.

12.2 REVENUE FROM NON-EXCHANGE TRANSACTIONS

Revenue from non-exchange transactions refers to transactions where the municipality received revenue from another entity without directly giving approximately equal value in exchange. Revenue from non-exchange transactions is generally recognised to the extent that the the related receipt or receivable qualifies for recognition as an asset and there is no liability to repay the amount.

Revenue from property rates is recognised when the legal entitlement to this revenue arises. Collection charges are recognised when such amounts are legally enforceable. Penalty interest on unpaid rates is recognised on a time proportionate basis.

Fines constitute both spot fines and summonses. Revenue from spot fines and summonses is recognised when payment is received, together with an estimate of spot fines and summonses that will be received based on past experience of amounts collected.

Revenue from public contributions and donations is recognised when all conditions associated with the contribution have been met or where the contribution is to finance property, plant and equipment, when such items of property, plant and equipment qualifies for recognition and first becomes available for use by the municipality. Where public contributions have been received but the municipality has not met the related conditions, a deferred income (liability) is recognised.

Contributed property, plant and equipment is recognised when such items of property, plant and equipment qualifies for recognition and become available for use by the municipality.

Revenue from the recovery of unauthorised, irregular, fruitless and wasteful expenditure is based on legislated procedures, including those set out in the Municipal Finance Management Act (Act No.56 of 2003) and is recognised when the recovery thereof from the responsible councillors or officials is virtually certain.

12.3 GRANTS, TRANSFERS AND DONATIONS

Grants, transfers and donations received or receivable are recognised when the resources that have been transferred meet the criteria for recognition as an asset. A corresponding liability is raised to the extent that the grant, transfer or donation is conditional. The liability is transferred to revenue as and when the conditions attached to the grant are met. Grants without any conditions attached are recognised as revenue when the asset is recognised.

13 BORROWING COSTS

Borrowing costs that are directly attributable to the acquisition, construction or production of qualifying assets are capitalised to the cost of that asset unless it is inappropriate to do so. The municipality ceases the capitalisation of borrowing costs when substantially all the activities to prepare the asset for its intended use or sale are complete. It is considered inappropriate to capitalise borrowing costs where the link between the funds borrowed and the capital asset acquired cannot be adequately established. Borrowing costs incurred other than on qualifying assets are recognised as an expense in surplus or deficit when incurred.

14 CONSTRUCTION CONTRACTS AND RECEIVABLES

Where the outcome of a construction contract can be estimated reliably, contract revenue and costs are recognised by reference to the stage of completion of the contract activity at the reporting date, as measured by [the proportion that contract costs incurred for work performed to date bear to the estimated total contract costs OR surveys of work done OR completion of a physical proportion of the contract work].

Variations in contract work, claims and incentive payments are included to the extent that they have been agreed with the customer.

When the outcome of a construction contract cannot be estimated reliably, contract revenue is recognised to the extent that contract costs incurred are recoverable. Contract costs are recognised as an expense in the period in which they are incurred.

When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognised as an expense immediately.

15 IMPAIRMENT OF ASSETS

15.1 Cash generating assets

The municipality assesses at each reporting date whether there is any indication that an asset may be impaired. If any such indication exists, the municpality estimates the recoverable service amount of the asset.

If there is any indication that an asset may be impaired, the recoverable service amount is estimated for the individual asset. If it is not possible to estimate the recoverable service amount of the individual asset, the recoverable service amount of the cash-generating unit to which the asset belongs is determined.

The recoverable service amount of an asset or a cash-generating unit is the higher of its fair value less costs to sell and its value in use.

Value in use:

Value in use of a cash-generating asset is the present value of the estimated future cash flows expected to be derived from the continuing use of an asset and from its disposal at the end of its useful life.When estimating the value in use of an asset, the municipality estimates the future cash inflows and outflows to be derived from continuing use of the asset and from its ultimate disposal and the municipality applies the appropriate discount rate to those future cash flows.

Discount rate:

The discount rate is a rate that reflects current market assessments of the time value of money, represented by the current risk-free rate of interest and the risks specific to the asset for which the future cash flow estimates have not been adjusted.

Recognition and measurement:

If the recoverable amount of an asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. That reduction is an impairment loss.An impairment loss of assets carried at cost less any accumulated depreciation or amortisation is recognised immediately in surplus or deficit.An impairment loss is recognised for cash-generating units if the recoverable amount of the unit is less than the carrying amount of the unit. The impairment loss is allocated to reduce the carrying amount of the assets of the unit as follows: to the assets of the unit, pro rata on the basis of the carrying amount of each asset in the unit.A municipality assesses at each reporting date whether there is any indication that an impairment loss recognised in prior periods for assets may no longer exist or may have decreased. If any such indication exists, the recoverable amounts of those assets are estimated.

15.2 Non-cash generating assets

Identification:

The municipality assesses at each reporting date whether there is any indication that an asset may be impaired. If any such indication exists, the municipality estimates the recoverable service amount of the asset.If there is any indication that an asset may be impaired, the recoverable service amount is estimated for the individual asset. If it is not possible to estimate the recoverable service amount of the individual asset, the recoverable service amount of the cash-generating unit to which the asset belongs is determined. The recoverable service amount of an asset or a non-cash-generating unit is the higher of its fair value less costs to sell and its value in use.

Value in use:

Value in use of an asset is the present value of the asset's remaining service potential. The present value of the remaining service potential of an asset is determined using the following approach: Depreciated replacement cost approach: Value in use of an asset is the present value of the asset's remaining service potential The present value of the remaining service potential of an asset is determined using the following approach:

Depreciation replacement cost approach:

The present value of the remaining service potential of a non-cash-generating asset is determined as the depreciated replacement cost of the asset. The replacement cost of an asset is the cost to replace the asset's gross service potential. This cost is depreciated to reflect the asset in its used condition. An asset may be replaced either through reproduction (replication) of the existing asset or through replacement of its gross service potential. The depreciated replacement cost is measured as the reproduction or replacement cost of the asset, whichever is lower, less accumulated depreciation calculated on the basis of such cost, to reflect the already consumed or expired service potential of the asset.

The replacement cost and reproduction cost of an asset is determined on an "optimised" basis. The rationale is that the municipality would not replace or reproduce the asset with a like asset if the asset to be replaced or reproduced is an overdesigned or overcapacity asset. Overdesigned assets contain features which are unnecessary for the goods or services the asset provides. Overcapacity assets are assets that have a greater capacity than is necessary to meet the demand for goods or services the asset provides. The determination of the replacement cost or reproduction cost of an asset on an optimised basis thus reflects the service potential required of the asset.

Recognition and measurement:
If the recoverable service amount of an asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable service amount. That reduction is an impairment loss.An impairment loss of assets carried at cost less any accumulated depreciation or amortisation is recognised immediately in surplus or deficit.

An impairment loss is recognised for non-cash-generating units if the recoverable service amount of the unit is less than the carrying amount of the unit. The impairment loss is allocated to reduce the carrying amount of the assets of the unit as follows: to the assets of the unit, pro rata on the basis of the carrying amount of each asset in the unit. The Municipality assesses at each reporting date whether there is any indication that an impairment loss recognised in prior periods for assets may no longer exist or may have decreased. If any such indication exists, the recoverable service amounts of those assets are estimated.The increased carrying amount of an asset attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior periods.

The municipality assesses at each reporting date whether there is any indication that an asset may be impaired. If any such indication exists, the municpality estimates the recoverable service amount of the asset.

Irrespective of whether there is any indication of impairment, the municipality also:
- tests intangible assets with an indefinite useful life or intangible assets not yet available for use for impairment annually by comparing its carrying amount with its recoverable amount. This impairment test is performed during the annual period and at the same time every period.

If there is any indication that an asset may be impaired, the recoverable service amount is estimated for the individual asset. If it is not possible to estimate the recoverable service amount of the individual asset, the recoverable service amount of the cash-generating unit to which the asset belongs is determined.

The recoverable service amount of an asset or a cash-generating unit is the higher of its fair value less costs to sell and its value in use.

If the recoverable service amount of an asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable service amount. That reduction is an impairment loss.

An impairment loss of assets carried at cost less any accumulated depreciation or amortisation is recognised immediately in surplus or deficit. Any impairment loss of a revalued asset is treated as a revaluation decrease.

An impairment loss is recognised for cash-generating units if the recoverable service amount of the unit is less than the carrying amount of the unit. The impairment loss is allocated to reduce the carrying amount of the assets of the unit as follows: '- to the assets of the unit, pro rata on the basis of the carrying amount of each asset in the unit.

A municipality assesses at each reporting date whether there is any indication that an impairment loss recognised in prior periods for assets may no longer exist or may have decreased. If any such indication exists, the recoverable service amounts of those assets are estimated.
The increased carrying amount of an asset attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior periods.

A reversal of an impairment loss of assets carried at cost less accumulated depreciation or amortisation is recognised immediately in surplus or deficit. Any reversal of an impairment loss of a revalued asset is treated as a revaluation increase.

16 Employee benefits

16.1 Long service awards

The present value of the long service award depends on a number of factors that are determined on an actuarial basis using a number of assumptions.The Projected Unit Credit funding method has been used to determine the value of this liability.

16.2 Short-term employee benefits

The cost of short-term employee benefits, (those payable within 12 months after the service is rendered,such as paid vacation leave and sick leave, bonuses, and non-monetary benefits such as medical care),are recognised in the period in which the service is rendered are not discounted.The expected cost of compensated absences is recognised as an expense as the employees render services that increase their entitlement or, in the case of non-accumulating absences, when the absence occurs.
The expected costs of surplus sharing and bonus payments is recognised as an expense when there is a legal or constructive obligation to make such payments as a result of past performance.

16.3 Defined contribution plans

Council employees contribute to the Natal Joint Municipal Pension Fund. The retirement benefit fund is subject to the Pension Fund Act, 1956, with pension being calculated on the pensionable remuneration paid.A defined contribution plan is a plan under which the municipality pays fixed contributions into a separate entity. The municipality has no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to service in the current or prior periods.The municipality's contributions to the defined contribution funds are established in terms of the rules governing those plans. Contributions are recognised in the Statement of Financial Performance in the period in which the service is rendered by the relevant employees. The municipality has no further payment obligations once the contributions have been paid.

17 Budget

The municipality's budget has been prepared on accrual basis method.

18 Commitments

Commitments are not recognised.Committments are disclosed in the notes to the annual financial statements.A committment is disclosed unless the possibility of an outflow of resources embodying economic benefits is remote.

19 Value Added Tax

The municipality accounts for Value Added Tax on the cash basis.

20 Related parties

The municipality operates in an economic sector currently dominated by entities directly or indirectly owned by the South African Government. As as consequence of the constitutional independence of the three spheres of government in South Africa, only entities within the local sphere of government are considered to be related parties.

Management are those persons responsible for planning, directing and controlling the activities of the municipality, including those charged with the governance of the municipality in accordance with legislation, in instances where they are required to perform such functions.

Close members of the family of a person are considered to be those family members who may be expected to influence, or be influenced by, that management in their dealings with the municipality.

Only transactions with related parties not at arm's length or not in the ordinary course of business are disclosed.

21 Events after reporting date

Recognised amounts in the financial statements are adjusted to reflect events arising after the reporting date that provided evidence of conditions that existed at the reporting date. Events after the reporting date that are indicative of conditions that arose after the reporting date are dealt with by way of a note to the annual financial statements.

	Note	2016 R	2015 R
2 CASH AND CASH EQUIVALENTS			
Cash and cash equivalents consist of the following:			
Cash on hand		172,734	127,938
Cash at bank		877,961	3,596,383
Call deposits		1,326,969	521,919
		2,377,665	4,246,240

The Municipality has the following bank accounts: -

Current Account (Primary Bank Account)

First National Bank - Ulundi: 62035267609		
Cash book balance at beginning of year	3,528,759	6,419,103
Cash book balance at end of period	825,691	3,528,759
Bank statement balance at beginning of year	3,596,383	6,419,103
Bank statement balance at end of period	825,691	3,528,759

Current Account (Other Account)

First National Bank - Ulundi Branch: 62033637846		
Cash book balance at beginning of year	67,624	4,881
Cash book balance at end of period	42,143	67,624
Bank statement balance at beginning of year	67,624	4,881
Bank statement balance at end of period	42,143	67,624
Debit Card account		
First National Bank - 8812710030007004		
Cash book balance at beginning of year	-	
Cash book balance at end of period	10,127	
Bank statement balance at beginning of year		
Bank statement balance at end of period	10,127	
Cash on hand		
Petty cash	1,000	1,000
Main direct cashiers clearing account	139,309	126,938
Traffic cashiers clearing account	32,425	
	172,734	**127,938**
Cash at bank		
Primary bank account	825,691	3,528,759
Salaries bank account	42,143	67,624
Credit card	10,127	
	877,961	**3,596,383**
Call Accounts - FNB		
(FNB 62328066776 Electricity Sales Acc)	495,845	3,859
(FNB 62324120261 DME Account)	6,022	60,957
(FNB 62062833639 Housing Grant)	46,754	12,419
(FNB 62067492802 Conditional Grant)	2,494	7,863
(FNB 62064936093 FMG GRANT)	32,195	5,706
(FNB 62064936340 Statutory Funds)	658,468	18,507
(FNB 62064935855 Mayoral Empowerement)	6,642	26,240
(FNB 62067492943 MIG Funds)	17,705	24,704
(FNB 62067492638 Community Gardens)	2,035	2,015
(FNB 62408436675 DDA)	10,925	10,626
(FNB 62539513897 Disaster)	6,107	103,229
(FNB 62228583888 MSIG ACC)	38,925	58,078
(Fnb 62179391190 Investment Acc Main)	647	113,127
(Fnb 62261683471 Traffic revenue	2,205	74,589
	1,326,969	521,919
Short term deposits	1,326,969	521,919
Deposits on call with banks	183,461	1,000
Cash on hand	2,377,664	4,246,240
Total cash and cash equivalents		

Unutilised Conditional Grants must be ring fenced and separately invested. This was not implemented and amounts invested at year end were insufficient to cover the value of unspent conditional grants, as indicated hereunder:

Unutilised Conditional Grants	1,121,205	1,285,883
Amounts Invested	1,326,969	521,919
Surplus (Shortfall)	205,764	(763,964)

	Note	2016 R	2015 R
3 TRADE AND OTHER RECEIVABLES FROM EXCHANGE TRANSACTIONS	Gross Balances R	Provision for Doubtful Debts R	Net balance R
Trade receivables			
as at 30 June 2016			
Service debtors	54,250,466	58,662,282	-4,411,816
Rates	70,943,474	58,570,441	12,373,033
Total	125,193,940	117,232,723	7,961,217
Total Trade and other receivables	125,193,940	96,170,240	96,170,240
as at June 2015			
Service debtors	37,562,588	32,416,468	5,146,120
Rates	70,198,292	69,080,150	1,118,142
Total	107,760,880	101,496,618	6,264,262
Total Trade and other receivables	107,760,880	101,496,618	78,595,788
Rates: Ageing			
Current (0 – 30 days)		1,648,802	1,533,393
31 - 60 Days		773,660	712,955
61 - 90 Days		612,867	557,878
91 - 120 Days		376,587	474,844
121 Days and over		67,531,558	66,919,222
Total		70,943,474	70,198,292
Electricity and other: Ageing		2,016	2,015
Current (0 – 30 days)		18,519,244	8,984,925
31 - 60 Days		2,875,185	1,431,695
61 - 90 Days		3,529,678	409,901
91 - 120 Days		8,196,743	668,762
121 Days and over		21,129,616	26,067,305
Total		54,250,466	37,562,588
3 Reconciliation of the doubtful debt provision			
Balance at beginning of the year		101,496,618	78,595,788
Contributions to doubtful debt provision		15,736,105	22,900,830
Reversal of provision			
Balance at end of year		117,232,723	101,496,618
The ageing of amounts past due but not impaired is as follows:			
1 month past due	31-60	638,182	968,937
2 months past due	61-90	-	1,244,160
Less 3 months past due		638,182	2,213,097
No government debts have been provided for in the above amount			
Trade and other receivables impaired			
As of 30 June 2016, trade and other receivables of R204 861 627 were impaired and provided for.			
The fair value of trade and other receivables approximates their carrying amounts.			
		123,697,958	100,724,889
		123,697,958	100,724,889
4 OTHER RECEIVABLES FROM NON-EXCHANGE TRANSACTIONS			
Other debtors (Petrol deposit)		30,000	30,000
Accrued interest on investments		8,641	5,353
Traffic fines accruals		17,208,602	6,505,019
Traffic fines (Fruitless expenses recovery)		25,000	25,000
Other debtors		5,590,773	5,597,763
Total Other Debtors		22,863,016	12,163,135
5 INVENTORIES			
Opening balance		1,208,136	1,216,022
Stock received		4,985,637	(7,886)
Stock issued		(3,271,670)	
Obselete stock		(89,050)	
Shortages/surpluses		5,427	
Closing balance of inventories:		2,838,480	1,208,136
6 VAT RECEIVABLE			
VAT provision		6,252,877	3,144,650
VAT receivable		3,862,121	7,741,892
		10,114,998	10,886,542

The municipality accounts for Value Added Tax on the cash basis.

Note that there is a contingent liabilty arising from SARS VAT audit on prior years VAT claims amounting to approximately R3 Million.

7 PROPERTY, PLANT AND EQUIPMENT

Reconciliation of Carrying Value	Land and Buildings R	Infrastructure R	Community R	Other Assets R	Finance lease assets R	Heritage assets R	Total R
Carrying as at 01 July 2015	**119,237,203**	**209,978,832**	**56,742,891**	**3,229,683**	**12,401,158**	**10,501**	**401,600,268**
Cost/Revaluation	136,366,681	804,077,586	76,449,373	11,701,723	13,786,800	10,501	1,042,392,664
Accumulated depreciation and impairment losses	(17,129,478)	(594,098,754)	(19,706,482)	(8,472,040)	(1,385,642)	-	(640,792,396)
							-
							-
Movements for the period ended 30 JUNE 2016							-
Acquisitions/Additions	1,628,367	1,361,650	289,075	5,988,653			9,267,745
Capital under Construction	2,849,005	18,774,542	14,044,901				35,668,448
Depreciation for the year	(2,742,898)	(29,332,668)	(2,168,907)	(1,333,529)	(4,595,600)		(40,173,802)
Disposals - cost							-
Disposals - accumulated depreciation							-
Transfers of assets							-
Cost/Revaluation							
Accumulated depreciation and impairment losses							-
Carrying amount as at 30 JUNE 2016	120,971,677	200,782,356	68,907,960	7,884,807	7,805,558	10,501	406,362,859
Cost/Revaluation	140,844,053	824,213,778	90,783,349	17,690,376	13,786,800	10,501	1,087,328,857
Accumulated depreciation and impairment losses	(19,872,376)	(623,431,422)	(21,875,389)	(9,805,569)	(5,981,242)	-	(680,965,998)

Reconciliation of Carrying Value	Buildings R	Infrastructure R	Community R	Other Assets R	Finance lease assets R		Total R
Carrying as at 01 July 2014	**118,775,293**	**306,149,819**	**45,297,078**	**2,388,566**	**14,783**		**472,636,040**
Cost/Revaluation	136,230,532	778,283,003	59,598,370	10,859,432	295,590	10,501	985,277,428
Accumulated depreciation and impairment losses	(17,455,239)	(472,133,184)	(14,301,292)	(8,470,866)	(280,807)		(512,641,388)
Prior period error							
Accumulated depreciation and impairment losses	2,908,762	(76,930,943)	(3,281,547)	1,504,881			(75,798,846)
Restated carrying amounts as at 30 June 2015	121,684,055	229,218,876	42,015,531	3,893,447	14,783	10,501	396,837,194
Cost/Revaluation	136,230,532	778,283,003	59,598,370	10,859,432	295,590	10,501	985,277,428
Accumulated depreciation and impairment losses	(14,546,477)	(549,064,127)	(17,582,839)	(6,965,985)	(280,807)	-	(588,440,234)
							-
							-
Movements for the period ended 30 June 2015							-
Acquisitions/Additions		17,034,276	2,519,560	842,297	13,786,800		34,182,933
Capital under Construction	136,149	8,760,307	14,331,443				23,227,899

Depreciation for the year	(2,583,001)	(44,727,674)	(2,123,716)	(1,505,665)	(1,400,425)		(52,340,481)
Disposals - cost					(295,590)		(295,590)
Disposals - accumulated depreciation					295,590		295,590
Transfers of assets							-
Cost/Revaluation							
Accumulated depreciation and impairment losses		(307,400)					(307,400)
Carrying amount as at 30 June 2015	119,237,203	209,978,385	56,742,819	3,230,079	12,401,158	10,501	401,600,146
Cost/Revaluation	136,366,681	804,077,586	76,449,373	11,701,729	13,786,800	10,501	1,042,392,670
Accumulated depreciation and impairment losses	(17,129,478)	(594,099,201)	(19,706,554)	(8,471,650)	(1,385,642)	-	(640,792,524)

	2016	2015
8 INVESTMENT PROPERY CARRIED AT FAIR VALUE		
Carrying amount beginning of the year	63,257,000	63,597,000
Transferred to PPE		
Sales recognised during the year	-	(340,000)
Lot D1715 incorrectly disclosed as investment property		
Carrying amount end of the year	63,257,000	63,257,000

Full listing was revalued, and ownership verified by Professional Valuers, Municipal Valuer, BPG Mass Appraisals, and it has been confirmed that the evaluated investement properties under the ownership of Ulundi Municipality.

9 Intangible asset

	2016	2015
Opening balance	-	-
Cost	232,727	232,727
Accumulated amortisation	(232,727)	(232,727)
Additions	-	-
Write off - cost		
Write off - accumulated amortisation		
Adjustment		
Amortisation	-	-
Closing balance	-	-
Cost	232,727	232,727
Accumulated amortisation	-232,727	-232,727

	Note	2016 R	2015 R
10 TRADE AND OTHER PAYABLES FROM EXCHANGE TRANSACTIONS			
Trade creditors		64,143,791	31,931,576
Workmans Compensation Fund		3,571,403	3,934,411
Unpresented Cheques		19,688,976	14,227,943
Payments received in advance		4,675,506	5,623,790
Retentions		6,331,465	5,001,946
Staff leave accrual		7,940,890	6,599,486
Deposits other		160,830	490,363
Land Sales Suspense		4,462,018	2,949,992
Other creditors		104,713	-
Total creditors		111,079,592	70,959,497

The fair value of trade and other payables approximates their carrying amounts.

11 PROVISIONS			
Performance bonus		631,476	605,236
Total Provisions		631,476	605,236

12 UNSPENT CONDITIONAL GRANTS AND RECEIPTS			
Unspent conditional grants from other spheres of government		1,121,205	1,295,883

See note 21 for reconciliation of grants.

	NOTE	2016 R	2015 R
13 LONG SERVICE LEAVE AWARDS			
Accrued liability on 30 June 2015		-	-
Current service cost		4,058,265	3,487,000
Interest cost		338,705	
Benefits paid		300,338	
Current portion of long service		(170,446)	
Actuarial loss/(Gain)		(840,394)	(170,446)
Prior year adjustment		810,711	-
Accrued liability on 30 JUNE 2016			571,265
		4,497,179	3,887,819

14 REPAIRS AND MAINTAINANCE			
Buildings		1,018,243	689,481
Equipment		736,823	2,697,234
Fencing		78,000	98,000
Network		5,247,980	2,749,779
Roads Maintainance		1,596,293	831,839
Streetlights		329,350	55,967
Kiosk and Substations		550,838	839,690
Airconditioners		38,155	164,684
		9,595,462	7,926,474

15 FINANCE LEASE LIABILITY

2016	Minimum lease payment R	Future finance charges R	Future finance charges R
Amounts payable under finance leases	9,582,277	4,640,345	4,941,932
Within one year	6,875,825	2,245,147	4,630,678
Within two to five years	16,458,102	6,885,492	9,572,610
Less: Amount due for settlement within 12 months (current portion)			9,572,610

2015	Minimum lease payment R	Future finance charges R	Future finance charges R
Amounts payable under finance leases	9,582,277	6,194,401	3,387,876
Within one year	16,458,102	6,885,491	9,572,611
Within two to five years	26,040,379	13,079,892	12,960,487
Less: Amount due for settlement within 12 months (current portion)			12,960,487

	2016	2015
16.1 ACCUMULATED SURPLUS		
(Deficit/Surplus for the year	385,772,950	379,668,245
Other accumulated surplus	-21,733,180	-27,036,916
	407,506,130	406,705,161
16.2 Reserves		
Revaluation Reserves	10,690	10,690
	10,690	10,690

		Note	2016 R	2015 R
17	**PROPERTY RATES**			
	Actual			
	Residential		10,629,286	9,128,641
	Commercial		12,063,377	12,816,591
	Agriculture		2,356,772	2,248,721
	State		27,698,957	29,138,356
			52,748,392	53,332,309
	Rates rebates		(3,672,125)	(2,716,996)
	Total property rates		49,076,266	50,616,313
	Property rates - penalties imposed and collection charges		9,004,473	5,244,357
	Total		58,080,739	55,859,670
	Valuations			
	Residential		736,566,000	827,348,000
	Commercial		554,254,000	462,754,000
	State		1,043,642,000	1,010,215,000
	Agriculture		734,062,200	704,062,200
	Non-Rateable		144,342,000	144,695,000
	Total Property Valuations		3,212,866,200	3,149,074,200
	Valuations on land and buildings are performed every four years. The last valuation came into effect on 1 July 2013. Interim valuations are processed on a quarterly basis to take into account changes in individual property values due to alterations.			
	A rate per category (2015) is applied to property valuations to determine assessment rates. Rebates of R15 000,00 as per MPRA and R45 000,00 additional rebate as per council resolution are granted to residential property owners. Rates are levied on an annual basis on property owners.			
	Interest at 18% per annum (2016) is levied on outstanding rates			
18	**SERVICE CHARGES**			
	Sale of electricity		58,477,317	50,006,549
	Refuse removal		7,200,494	5,731,471
	Total Service Charges		65,677,811	55,738,020
19	**RENTAL OF FACILITIES AND EQUIPMENT**			
	Rental of facilities			
	Rental of equipment		971,013	798,189
	Other rentals			
	Total rentals		971,013	798,189
20	**INTEREST EARNED - EXTERNAL INVESTMENTS**			
	Investments (Call deposits)		1,161,430	748,383
	Sundry		2,795,060	76,604
	Total interest		3,956,490	824,987

		Note	2016 R	2015 R
21	**GOVERNMENT GRANTS AND SUBSIDIES**			
	Equitable share		128,213,000	100,017,000
	Conditional Grants utilised		47,925,302	56,244,400
	Total Government Grant and Subsidies		176,138,302	156,261,400
21.1	**Equitable Share**			
	In terms of the Constitution, this grant is used to subsidise the provision of basic services to indigent community members. All registered indigents receive a 100% monthly subsidy for rates which is funded from the grant.		128,213,000	100,017,000
21.2	**MIG Grant**			
	Balance unspent at beginning of year		-	885,399
	Current year receipts		33,957,000	44,000,000
	Conditions met - transferred to revenue		(33,957,000)	(44,885,399)
	Conditions still to be met - remain liabilities (see note 21)		-	-
	Provide explanations of conditions still to be met and other relevant information			
21.3	**Electrification of households**			
	Balance unspent at beginning of year		-	-
	Current year receipts		15,000,000	5,000,000
	Conditions met - transferred to revenue		(15,000,000)	(5,000,000)
	Conditions still to be met - remain liabilities (see note 21)		-	-
21.4	**ZDM Corridor Grant**			
	Balance unspent at beginning of year		-	535,575
	Current year receipts		-	-
	Conditions met - transferred to revenue		-	(535,575)
	Conditions still to be met - remain liabilities (see note 21)		-	-
21.5	**Finance Management Grant**			
	Balance unspent at beginning of year		-	2,460
	Current year receipts		1,700,000	1,700,000
	Conditions met - transferred to revenue		(1,700,000)	(1,702,460)
	Conditions still to be met - remain liabilities (see note 21)		-	-
21.6	**Municipal Systems Improvement Grant**			
	Balance unspent at beginning of year		-	382,434
	Current year receipts		930,000	934,000
	Conditions met - transferred to revenue		(930,000)	(1,316,434)
	Conditions still to be met - remain liabilities (see note 21)		-	-
21.7	**Community Libray Services Grant**			
	Balance unspent at beginning of year		-	-
	Current year receipts		-	776,459
	Conditions met - transferred to revenue		-	(776,459)
	Conditions still to be met - remain liabilities (see note 21)		-	-
21.8	**Developmental Planning Grant**			
	Balance unspent at beginning of year		28,493	83,468
	Current year receipts		-	-
	Conditions met - transferred to revenue		-	(54,975)
	Conditions still to be met - remain liabilities (see note 21)		28,493	28,493
21.9	**EPWP Grant**			
	Balance unspent at beginning of year		-	-
	Current year receipts		1,332,000	1,031,000
	Conditions met - transferred to revenue		(1,332,000)	(1,031,000)
	Conditions still to be met - remain liabilities (see note 21)		-	-
21.10	**SETA Grant**			
	Balance unspent at beginning of year		2,995	303,451
	Current year receipts		-	35,769
	Conditions met - transferred to revenue		-	(336,225)
	Conditions still to be met - remain liabilities (see note 21)		2,995	2,995
21.11	**Admin. Capacity Building Grant**			
	Balance unspent at beginning of year		14,616	88,116
	Current year receipts		-	-
	Conditions met - transferred to revenue		-	(73,500)
	Conditions still to be met - remain liabilities (see note 21)		14,616	14,616
21.12	**Disaster Grant**			
	Balance unspent at beginning of year		-	-
	Current year receipts		-	1,000,000
	Conditions met - transferred to revenue		-	(1,000,000)
	Conditions still to be met - remain liabilities (see note 21)		-	-
21.13	**Strategic planning Grant**			
	Balance unspent at beginning of year		462	4,362
	Current year receipts		-	-
	Conditions met - transferred to revenue		-	(3,900)
	Conditions still to be met - remain liabilities (see note 21)		462	462
21.14	**MFMA Implementation Grant**			
	Balance unspent at beginning of year		-	104,513
	Current year receipts		-	-
	Conditions met - transferred to revenue		-	(104,513)
	Conditions still to be met - remain liabilities (see note 21)		-	-
21.15	**MDIS Support Grant**			
	Balance unspent at beginning of year		-	125,000
	Current year receipts		-	-
	Conditions met - transferred to revenue		-	(125,000)
	Conditions still to be met - remain liabilities (see note 21)		-	-

		Note	2016 R	2015 R
21.16	Grant - Thusong service centre			
	Balance unspent at beginning of year			
	Current year receipts			
	Conditions met - transferred to revenue			
	Conditions still to be met - remain liabilities (see note 21)			
21.17	Grant - Tourism			
	Balance unspent at beginning of year		281,327	231,327
	Current year receipts		-	50,000
	Conditions met - transferred to revenue			
	Conditions still to be met - remain liabilities (see note 21)		281,327	281,327
21.18	Grant - sector plan			
	Balance unspent at beginning of year			
	Current year receipts			
	Conditions met - transferred to revenue			
	Conditions still to be met - remain liabilities (see note 21)			
21.19	Grant - housing			
	Balance unspent at beginning of year		73,180	63,180
	Current year receipts		-	10,000
	Conditions met - transferred to revenue			
	Conditions still to be met - remain liabilities (see note 21)		73,180	73,180
21.20	Grant - human resources policies			
	Balance unspent at beginning of year			
	Current year receipts			
	Conditions met - transferred to revenue			
	Conditions still to be met - remain liabilities (see note 21)			
21.21	Grant - Investment plan			
	Balance unspent at beginning of year		2,000	2,000
	Current year receipts			
	Conditions met - transferred to revenue			
	Conditions still to be met - remain liabilities (see note 21)		2,000	2,000
21.22	Grant - sportsfields			
	Balance unspent at beginning of year		314,555	314,555
	Current year receipts			
	Conditions met - transferred to revenue		(34,200)	
	Conditions still to be met - remain liabilities (see note 21)		280,355	314,555
21.23	KZN Arts and Culture			
	Balance unspent at beginning of year		126,000	126,000
	Current year receipts		780,000	
	Conditions met - transferred to revenue		(910,477)	
	Conditions still to be met - remain liabilities (see note 21)		(4,477)	126,000
21.24	Other Government Grants and Subsidies			
	Balance unspent at beginning of year		442,254	442,254
	Current year receipts			-
	Conditions met - transferred to revenue			
	Conditions still to be met - remain liabilities (see note 21)		442,254	442,254
	Total unspent conditional grants		1,121,205	1,285,882
	Changes in levels of government grants			
	Based on the allocations set out in the Division of Revenue Act, no significant changes in the level of government grant funding are expected over the forthcoming 3 financial years.			

		Note	2016 R	2015 R
22	**OTHER INCOME, PUBLIC CONTRIBUTIONS AND DONATIONS**			
22.1	Other Income		4,172,503	1,474,502
	Other Income		5,964,174	701,149
	Vat recovery grant funded projects		10,136,677	2,175,651
	Total Other Income			
23	**EMPLOYEE RELATED COSTS**			
	Employee related costs - Salaries and Wages		61,846,402	49,021,055
	Employee related costs - Contributions for UIF, pensions and medical aids		21,784,167	15,794,067
	Travel, motor car, accommodation, subsistance and other allowances		6,954,121	5,890,135
	Housing benefits and allowances		170,183	135,575
	Overtime payments		2,315,458	2,464,890
	Performance and other bonuses		4,004,568	3,090,768
	Other employee related costs		6,977,092	5,146,647
	Employee Related Costs		104,053,971	81,543,137
	There were no advances to employees / Loans to employees are set out in note 3.			
	Remuneration of the Municipal Manager			
	Annual Remuneration		620,598	658,122
	Performance- and other bonuses		61,483	57,384
	Travel, motor car, accommodation, subsistence and other allowances		113,080	226,159
	Contributions to UIF, Medical and Pension Funds		892	1,785
	Settlement		1,145,487	
	Total		1,941,540	1,143,450
	Remuneration of the Municipal Manager			
	Acting Allowance		33,554	160,750
	Total		33,554	160,750
	Remuneration of the Chief Finance Officer			
	Annual Remuneration		774,864	733,392
	Performance- and other bonuses		61,483	57,384
	Travel, motor car, accommodation, subsistence and other allowances		109,509	127,026
	Contributions to UIF, Medical and Pension Funds		1,785	1,785
	Total		947,640	919,587
	Remuneration of the Manager Corporate Services			
	Annual Remuneration		429,765	713,392
	Performance- and other bonuses		-	57,384
	Travel, motor car, accommodation, subsistence and other allowances		72,339	126,061
	Contributions to UIF, Medical and Pension Funds		1,190	1,785
	Total		503,294	898,622

Remuneration of Individual Executive Directors	Technical Services R	Community Services R	Protection Services R
2016			
Annual Remuneration	776,035	774,863	774,863
Performance- and other bonuses	61,483	61,483	61,483
Travel, motor car, accommodation, subsistence and other allowances	173,800	102,509	106,309
Contributions to UIF, Medical and Pension Funds	1,785	1,785	1,785
Total	1,013,102.96	940,640	944,440

	Technical Services R	Community Services R	Protection Services R
2015			
Annual Remuneration	663,901.00	732,357	732,357
Performance- and other bonuses	57,384.00	57,384	57,384
Travel, motor car, accommodation, subsistence and other allowances	173,800.00	102,509	102,509
Contributions to UIF, Medical and Pension Funds	1,785.00	1,785	1,785
Total	896,870	894,035	894,035

24	**REMUNERATION OF COUNCILLORS**			
	Executive Mayor		762,460	742,863
	Deputy Executive Mayor		631,058	600,260
	Speaker		359,574	349,078
	Executive Committee Members		2,963,579	2,588,814
	Councillors		4,572,024	4,493,774
	Councillors' allowances		3,607,444	4,712,500
	Total Councillors' Remuneration		12,916,159	13,487,389
	In-kind Benefits			
	The Executive Mayor, Deputy Executive Mayor, Speaker and Executive Committee Members are full-time. Each is provided with an office and secretarial support at the cost of the Council.			
25	**DEPRECIATION AND AMORTISATION EXPENSE**			
	Property, plant and equipment		40,173,491	52,340,477
	Intangible assets		-	-
	Total Depreciation and Amortisation		40,173,491	52,340,477
26	**FINANCE COSTS**			
	Finance Lease Interest		6,194,401	1,880,137
	Total Finance Costs		6,194,401	1,880,137
27	**BULK PURCHASES**			
	Electricity		62,251,722	54,514,242
	Total Bulk Purchases		62,251,722	54,514,242

	Note	2016 R	2015 R
28 CONTRACTED SERVICES			
Hire of equipment		1,248,331	931,192
Hire of offices		293,438	340,046
Hire of Vehicles		2,531,906	4,088,215
Professional fees		1,496,632	676,621
Animal pound		1,043,320	1,035,778
Cash handling fee		250,022	239,449
Commision : Sale pre-paid Electricity		113,257	131,418
Commision : Traffic fines		1,674,570	1,412,598
Grant : Sector plan		0	46,224
Grant expenditure - FMG		1,163,384	1,517,449
Indigent burials		1,748,423	1,041,237
Insurance		353,855	662,827
Legal expenses		1,481,411	1,064,761
Publicity		2,548,856	783,685
Telephone cost		2,342,822	1,758,623
Private Security Service		5,921,766	5,213,625
Refuse Removal contracts		7,462,172	6,838,382
Software and licenses		3,657,912	2,020,184
Grant expenditure- MPRA		0	469,190
Grant expenditure - MIG		1,469,170	1,844,807
Grant expenditure - MSIG		921,723	1,316,434
Grant expenditure - Eletrification of households		13,172,203	6,017,922
Grant expenditure - Admin Capacity building		0	73,500
Grant expenditure - Sports & recreation ifrastruture		15,000	4,857
Grant expenditure - Skills Levy		0	335,608
Grant expenditure - ZDM Grant		-	469,802
Grant expenditure - MFMA implementation		-	104,513
Grant expenditure - Disaster grant		-	877,193
Grant expenditure - Strategic planning		-	3,900
Grant expenditure - Library		-	28,459
Grant expenditure - MDIS		-	125,000
Grant expenditure - KZN Arts & Culture		900,547	
MIG funded internaliy		492,363	
Eelectrification projects funded internally		5,459,054	
		57,822,137	41,477,499
29 GENERAL EXPENSES			
Included in general expenses are the following:-			
Accomodation		730,433	622,384
Absolete stock		84,242	
Advertising		616,972	361,758
Arts and Culture		652,806	478,150
Audit fees - External		1,886,203	1,746,157
Audit fees - Internal		0	53,954
Audit fees - Audit committee		66,969	40,944
Bank charges		272,621	193,458
Brochures		0	175
Cash shortages		9	7,875
Chemicals and gases		63,850	100
Children holiday programme		0	90,614
Civic entertainment		940,823	690,808
Conference fees		38,001	39,338
Decorations		984	3,079
Delivery - Consumer accounts		171,568	75,322
Disaster relief		777,460	1,061,494
Employee assistance programme		223,680	147,484
Entertainment / Refreshments		351,525	304,775
Electricity consumption-departmental		617,189	216,362
Expendable tools		96,294	135,477
Fertilizer & Compost		7,718	0
Fuel and oil - machinery		18,000	3,900
Free basic Services - Electricity		773,768	418,146
Fruitless and wasteful expenses		9,791,720	7,570,111
Highmasts & streetlights		711,595	72,977
HIV/AIDS Projects		1,658,281	775,368
IDP projects		250,309	212,350
Inventry adjustment		0	5,554
International programms		84,948	98,246
LED projects		2,504,092	1,498,425
LED activities		785,910	127,481
LED strategy		198,800	273,959
Library material		86,318	291,438
License fees		1,500	
Local mayoral sports cup		1,393,419	1,952,825
Mayoral functions		1,753,947	1,806,129
Donations		1,300,700	
Medical examination fees		11,709	5,225
Membership fees		876,114	570,149
Out of pocket expenses		120,632	0
PMS & IDP review		447,025	
Periodicals		8,268	9,374
Printing and stationery		1,535,368	1,651,448
Programs - I.T.		55	
Projects tourism		408,648	213,961
Promotional material		147,023	39,474
Quality Special projects/Grass cutting		1,031,941	625,564
Refuse bags		143,800	334,628
Refuse receptacles		145,700	85,845
Repeater licence fee		2,428	0
Small tools		10	12,806
Stamps and postage		8,421	9,565
Stocks and material		1,074,856	188,723
Streetlights		996,233	
Study aid - Staff		41,866	19,800
Sundries		0	924
Tourism brand awareness		213,800	112,000
Tourism education		181,750	
Traffic fines expenditure		750	3,750
Training		1,946,108	1,012,514
Travel and subsistence		501,428	425,291
Transport		2,169,586	
Uniforms & overalls		1,058,997	403,701
Valuation costs		40,047	41,700
Ward committees		1,195,926	1,232,838
Water charges		984,757	1,297,160
WCA		421,953	938,191
Weed killers and insecticides		19,800	69,908
Youth affairs		1,455,736	39,137
		46,101,387	30,720,893

		Note	2016 R	2015 R
30	**GAIN / (LOSS) ON SALE OF ASSETS**			
	Loss on sale of land		-	(96,870)
	Vehicles and other movables		-	(96,870)
	Total Gain / (Loss) on Sale of Assets			
31	**CASH GENERATED BY OPERATIONS**			
	Surplus/(deficit) for the year		(21,733,179)	(27,036,916)
	Adjustment for:-prior year		40,173,491	52,647,877
	Depreciation and impairment		-	96,870
	disposal of land			
	Intangible assets written off		17,041,653	22,900,830
	Contribution to provisions - current		6,194,401	1,880,137
	Finance costs		(1,161,430)	(824,987)
	Interest earned		40,514,936	49,663,811
	Operating surplus before working capital changes:			
	(Increase)/decrease in inventories		(1,630,343)	(188,647)
	(Increase)/decrease in trade receivables		(17,433,060)	8,486,612
	(Increase)/decrease in other receivables		(10,699,881)	(6,439,489)
	Adjustment to provisions - current			(61,308)
	(Increase)/decrease in VAT receivable		771,544	(4,602,233)
	Increase/(decrease) in conditional grants and receipts		(164,678)	(2,262,212)
	Increase/(decrease) in trade payables		40,120,095	(4,429,244)
	Cash generated by/(utilised in) operations		51,478,613	39,948,290
32	**CASH AND CASH EQUIVALENTS**			
	Cash and cash equivalents included in the cash flow statement comprise the following:			
	Bank balances and cash		2,377,665	4,246,240
	Bank overdrafts			
	Net cash and cash equivalents (net of bank overdrafts)		2,377,665	4,246,240
33	**UNAUTHORISED, IRREGULAR, FRUITLESS AND WASTEFUL EXPENDITURE DISALLOWED**			
33.1	**Unauthorised expenditure**			
	Reconciliation of unauthorised expenditure			
	Opening balance		-	22,816,213
	Unauthorised expenditure current year		-	46,394,236
	Approved by Council or condoned		-	(69,210,449)
	Transfer to receivables for recovery		-	-
	Unauthorised expenditure awaiting authorisation			
33.2	**Fruitless and wasteful expenditure**			
	Reconciliation of fruitless and wasteful expenditure			
	Opening balance -		18,709,576	11,139,465
	Fruitless and wasteful expenditure for the period ended 30 June 2016		9,791,720	7,570,111
	Condoned or written off by Council		-	-
	Fruitless and wasteful expenditure awaiting condonement		28,501,296	18,709,576
33.3	**Irregular expenditure and Deviations**			
33.3.1	**Irregular expenditure**			
	Reconciliation of irregular expenditure			
	Opening balance		43,047,836	40,597,995
	Irregular expenditure current year		-	2,449,841
	Condonement recommened or written off by Council		(43,047,836)	(43,047,836)
	Awaiting Treasury's final approval		43,047,836	43,047,836
	Transfer to receivables for recovery – not condoned		43,047,836	43,047,836
	Irregular expenditure awaiting condonement			
	Council has recommended the write off and we are awaiting for Treasury's final approval			
33.3.2	**Deviations**			
	Reconciliation of Deviations			
	Opening balance		-	1,098,656
	Deviations current year		3,690,000	148,644
	Condoned or written off by Council		-	(1,247,300)
	Transfer to receivables for recovery – not condoned		3,690,000	-
	Deviations awaiting condonement			
34	**ADDITIONAL DISCLOSURES IN TERMS OF MUNICIPAL FINANCE MANAGEMENT ACT**			
34.1	**Contributions to organised local government**			
	Opening balance		1,753,947	570,149
	Council subscriptions		-876,114	(570,149)
	Amount paid - current			
	Amount paid - previous years		877,833	-
	Balance unpaid (included in payables)			
34.2	**Audit fees**			
	Opening balance		652,806	1,742,455
	Current year audit fee		-1,886,203	(1,742,455)
	Amount paid - current year			
	Amount paid - previous years		-1,233,397	-
	Balance unpaid (included in payables)			
34.3	**VAT**			
	Opening balance		5,216,639	9,483,284
	Current year output vat		-7,364,735	-8,248,877
	Current year input vat		19,660,804	20,289,593
	Amount paid current year		-3,379,484	-8,380,551
	Sundry adjustments		-11,602,330	-7,381,746
	Amount refunded by SARS - current		2,530,894	7,741,693
	Amount due by SARS			

VAT receivables and payables are shown in note 6. All VAT returns have been submitted by the due date throughout the year.During the year certain transactions affecting VAT in a particular period were processed after the relevant VAT return had been submitted to SARS. The amounts underclaimed will be recovered during the ensuing year.

		Note	2016 R	2015 R
34.4	**PAYE and UIF**			
	Opening balance		-	3,577,976
	Current year payroll deductions		14,989,479	11,964,897
	Amount paid - current year		-14,989,479	-11,964,897
	Amount paid - previous years		-	-3,577,976
	Balance unpaid (included in payables)		-	0
34.5	**Pension and Medical Aid Deductions**			
	Opening balance		-	3,867,179
	Current year payroll deductions and Council Contributions		29,164,691	8,746,781
	Amount paid - current year		-29,164,691	-8,746,781
	Amount paid - previous years		-	-3,867,179
	Balance unpaid (included in payables)		-	0
34.6	**Councillor's arrear consumer accounts**			
	The following Councillors had arrear accounts outstanding for more than 90 days as at: -	**Total**	**Outstanding less than 90 days**	**Outstanding more than 90 days**
	as at 31 March 2016			
	F L Buthelezi	1,517	1,233	284
	Prince N M Buthelezi	640	456	184
	TG Madela	479	317	162
		2,636.00	2,006	629.89
	Total Councillor Arrear Consumer Accounts			
	as at 30 June 2015			
	F L Buthelezi	7,751	813	6,938
34.7	**CAPITAL COMMITMENTS**		2,016	2015
	Commitments in respect of capital expenditure			
	- Approved and contracted for		54,491,999	47,381,400
	Infrastructure		41,764,999	29,957,000
	Community		12,727,000	17,424,400
	Heritage		-	0
	Other		-	0
	- Approved but not yet contracted for			
	Infrastructure		-	0
	Community		-	0
	Heritage		-	0
	Other (Buildings)			
	Total		54,491,999	47,381,400
	This expenditure will be financed from:			
	- Government Grants		54,491,999	44,957,000
	- Own resources		-	2,424,400
			54,491,999	47,381,400
			2,016	2015
34.8	**Operating commitment**			
	Commitments towards operations		25,813,225	25,937,090
			25,813,225	25,937,090
34.9	**Operating leases**			
	At the reporting date the entity has outstanding commitments under operating leases which fall due as follows:			
	Operating leases - lessee			
	Within one year		1,172,365	1,674,041
	Greater than one year		601,426	1,876,392
	Total		1,773,791	3,550,433

Operating Leases consists of the following:
Operating lease payments represent rentals payable by the municipality for certain of its office properties and motor vehicles. Leases are negotiated for an average term of seven years and rentals are fixed for an average of three years. No contingent rent is payable

34.10 PENSION FUND INFORMATION

34.10.1 Defined contribution plan

Certain Councillors and Certain employees belong to defined benefit retirement funds administered by the Natal Joint Municipal Pension Fund. These funds are subject to a triennial actuarial valuation. The last statutory actuarial valuation was performed as at 31 March 2015. The Actuary advised that the fund is 90.6% funded. The surcharge has been increased from 17% to 17.5% and the repayment period be extended from 5 to 8 years, at which time the deficit is expected to be fully funded.

34.10.2 SUPERANNUATION FUND

The Actuary advised that the valuation disclosed that, for the fund overall, the liabilities for service to the valuation date were 96% funded. The actuarial valuation disclosed that , the fund was in deficit A surcharge of 9.5% of pensionable salaries has been imposed for 8 years from 1 March 2014 to meet the deficit.

The actuary has recommended the following

It is recommend that the local authorities continue to pay the current contribution rate of 21.63% of pensionable salaries to be reviewed as at 31 March 2013

34.10.3 Provident Fund

The actuary is satisfied that the fund was in a sound financial condition as at 31 March 2012.

Certain Councillors and employees belong to defined benefit retirement funds administered by the Natal Joint Municipal Pension Fund. These funds are subject to a triennial actuarial valuation. The last valuation was performed in 2009.

35.1	**CONTINGENT LIABILITY**		
	Claim for damages		
	The following matters are currently on the roll of the high court and as at balance sheet date the following amounts represent possible liabilities, they are an estimate from the Municipality's attorneys.		
	G.M. Zondo on behalf of L.Z. Zondo vs Ulundi Municipality	2,000,000	2,000,000
	Mabaso case,the municipality is defending the matter ,pleadings not yet closed	150,000	150,000
	Clout media case,municipality defending the matter awaiting trila date.	400,000	400,000
	Umpheme Bid Appeal	600,000	200,000
	R & G Consultants and others vs Ulundi municipality and others	200,000	200,000
		3,350,000	3,262,000

		Note	2016 R	2015 R
35.2	**TRAFFIC FINES**			
	An amount of R87 920 371 was outstanding at 30 June 2016,the collection rate was 12,17% based on past history collection pattern as a result an amount of R10 703 583 was accrued.			
	Cash received		4,735,434	496,469
	Traffic fines as per i GRAP 1		10,703,583	6,505,019
			15,439,017	7,001,488
	KEY SOURCES OF ESTIMATION UNCERTAINTY AND JUDGEMENTS			
	No areas have involved a significant degree of estimation, uncertainty or judgements made by management in applying the municipalities accounting policies and that have a material and significant affect on the amounts recognised in the financial statements.			
36	**DISTRIBUTION LOSSES**			
	The municipality incurred distribution losses on Electricity amounting to approximately 34 175 473 units for the period ended 30 June 2016, this loss amounted to approximately R28 023 888 . These losses are calculated as the difference between power supplies purchased and sales recorded.		2,016	2015
	Number of consumers (Residential and Commercial)		75,990,669	72,134,106
	Units purchased (kwh)		41,815,196	47,246,460
	Units sold (total)		34,175,473	24,867,646
	Units lost in distribution		33	35
	% Lost in distribution		1	0.0028
	Average Cost per unit purchased (cents)		28,023,888	69,685
	TOTAL COST OF DISTRIBUTION LOSSES			
37	**RISK MANAGEMENT**			
	Maximum credit risk exposure			
	Credit risk is the risk that a counterparty will not meet its obligations under a financial instrument or consumer contract, leading to financial loss.The municipality is exposed to credit risk from its operating activities(primarily for trade receivables			
	Credit risk consists mainly of cash deposits, cash equivalents and trade debtors. The municipality only deposits cash with major banks with high quality credit standing and limits exposure to any one counter-party.			
	Trade receivables comprise a widespread customer base. Management evaluates credit risk relating to customers on an ongoing basis. If customers are independently rated, these ratings are used. Otherwise, if there is no independent rating, risk control assesses the credit quality of the customer,taking into account financial position,past experience and other factors.Individual risk limits are set based on internal or external ratings in accordance with limits set by the municipality.			
	These balances represent the maximum exposure to credit risk;			
	Cash and cash equivalents		1,326,969	521,919
	Trade receivables		-	0
	Credit risk from balances with banks and financial institutions is managed by the municipalty's finance and management committee in accordance with the municipality's policy. Investments of surplus funds are made only with approved counterparties.			
	Counterparty credit facilities are reviewed by MANCO on an annual basis , and may be updated throughout the year subject to approval by EXCO.			
	Financial assets exposed to credit risk at year end were as follows:		2,205	521,919
	First National Bank Call Investments			
	These balances represent the maximum exposure to credit risk.			
			2,016	2015
38	**Liquidity risk**			
	The municipality's risk to liquidity is a result of the funds available to cover future commitments. The municipality manages liquidity risk through an ongoing review of future commitments and credit facilities. Cash flow forecasts are prepared and adequate utilised borrowing facilities are monitored.			
	The table below analyses the municipality's financial liabilities into amounts due within 12 months after year end.			
	Loans payable-Finance Lease		4,941,932	3,387,876
	Payables from exchange transactions		104,713	0
	Unspent conditional grants		-	0
			5,046,645	3,387,876

Ulundi Local Municipality
NOTES TO THE FINANANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

		Note	2016 R	2015 R
39	**Going Concern**			
	The Annual Financial Statements have been prepared on the assumption that this Municipality will continue to operate as a going concern for the next twelve months however it will continue to expirience financial challenges due to the distribution loss on electricity which is sitting at 33% as disclosed in Note 36 of the Annual Financial Statements versus the norm of 7% and 10% as per latest Municipal Finance Management Act Circular No. 71. Secondly this is also evidenced by current ratio (i.e. Current Assets / Current Liabilities) which is 0.75 against the norm of 1.5 to 2.1 in terms of the same Circular.			
39,1,3	The municipality has been able to keep liquidity cash in the investments accounts for longer periods and that resulted to the earnings of more interest compared to other financial years.In 2014/2015 our interest on investments was R824 987 compared to an amount of R1 457 921 in the 2015/2016 financial year (July 2015 to June 2016) which shows positive growth in our Investments.			
39,1,4	All state entities have been billed annually for property rates to the value of R25 million in order for Ulundi Municipality to enhance its revenue,further more following the issuing of the latest supplementary valluation roll it has emerged that 146 schools will be liable for a total amount of R8,7 million which will be recognised in our next financial year ending 30 June 2017,these are benefits realised in this type of revenue enhancement strategy.			
39,1,5	It must be noted that all cash related challenges including Eskom,are now manageable and that can be evidenced by the municipality's ability to service Eskom debt and at the same time honour its commitments as and when they become due.As a result all statutory payments are up to date.But it must be noted that Eskom is owing this municipality a sizeable amount and KZN Treasury is mediating on the matter.			
39,1,6	National Public Works has embarked on a municipal consumer debt verification process with the aim of enhancing cashflow position for this municipality.An amount of R30 728 996 has been verified as debt owing by government departments as at 31 March 2016.			
40	**Related parties**			
	Other than the related parties indicated in note 23 and 24,(refer to note on remuneration of employees and councillors), the municipality did not have any other related parties. No transactions occurred with related parties that were not at arm's length or not in the ordinary course of business.			
41	**Events after the reporting date**			
	There were no events that occurred subsequent to 30 June 2016 that materially affected fair presentation of annual financial statements for the period ended 30 June 2016.			
42	**Prior year adjustment**			
	Accumulated surplus before adjustments		382,287,766	
	Liability to employees for long service understated previous year		-571,265	
	Wheeling Tarrifs,Line losses and Interest payable by Eskom		25,789,629	
	Accumulated surplus after adjustmens		407,506,130	
	Trade Creditors before adjustments		57,721,202	
	Wheeling Tarrifs,Line losses and Interest payable by Eskom		-23,741,373	
	Trade Creditors after adjustmens		33,979,829	
43	**Contingent Asset**			
	ESKOM DEBT			
	Historical Debt		31,000,000	
	Distribution Loss		5,309,983	
	Growth Demand		30,000,000	
	Notified Maximum Demand		1,490,739	
	Nkonjeni Feeder		3,145,957	
			70,946,679	

Historical Debt

The historical debt came as a result of neglicting clause 7 of the 2005 agreement by not adjusting the fixed tariffs and load growth on a yearly basis. A total amount between R31m and R33m is to be finalised.

Distribution Loss 6.9% versus 5%

Its was agreed by both parties that the estimated figure of 5% for distribution losses on the Wheeling network was much too low and a percentage of 6.9% was accepted to be more in line. An amount of R5 309 982.67 has been calculated and agreed in principle. It might happen that Eskom dispute a portion thereof for the period prior to 2012.

Creation infrastructure to meet the growth demand

This invoice is about the additional cost incurred by Ulundi Municipality to cate for the growth in load on the Wheeling installations in order to provide a firm supply to the Eskom take off points as determined by the Wheeling agreement. Although Ulundi submitted an invoice of approximately R30m and presented the contend thereof to Eskom, they dispute the amount. A final meeting was arranged between the representatives of the two parties for Monday 29 and Tuesday 30 August 2016 to reach consensus on the matter.

Exceeding of Notified Maximum Demand

It is an industry norm to apply a penalty by the supplier whenever the Notified Maximum demand is exceeded by the consumer. Eskom exceeded the Notified Maximum demand without informing Ulundi. An amount of R1 490 739.31 is due for payment and not disputed as yet.

Loss income disconnection of Nkonjenu Feeder

The invoice came as a result of the unilateral termination of the Nkonjeni feeder by Eskom without informing Ulundi Municipality. As this should have been done in line with the agreement Ulundi is fully entitled to levy charges as the agreement remains intact until both parties agree on the amendment thereof. An amount of R3 145 957.18 was calculated and not disputed as yet.

The Municipality has claimed an amount of about R101 million from Eskom however Eskom an amount of R30m have been offset from the payment due to Eskom. Negotiations between Ulundi Municipality are still continuing through mediation by Treasury whereby Eskom is expected to compensate this municipality an amount of approximately R70 million in respect of cost of capital.